

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY**

**FOR
INSIDER TRADING**

December 15, 2008

This Policy is effective immediately upon adoption and supersedes all previous insider trading policies.

I. PURPOSE

CalPERS, its Board members, and employees are subject to the anti-fraud provisions of the federal securities laws and the Rules of the Securities and Exchange Commission ("SEC"). Section 10(b) of the [Securities Exchange Act of 1934](#) ("1934 Act") and SEC Rule 10b-5 under the 1934 Act prohibit the purchase or sale of securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. In addition, CalPERS and CalPERS employees who fail to prevent insider trading may be subject to civil penalties under Section 21A of the 1934 Act. This policy is intended to ensure that CalPERS, its Board members and employees comply with federal law, and with their fiduciary responsibilities as set forth in the CalPERS Total Fund statement of policy.

II. CONFIDENTIAL INFORMATION

It is imperative that CalPERS exercise control over the circumstances in which it and its Board members and employees receive material, nonpublic and other confidential information. Because of the number of CalPERS employees, the close-knit working environment at CalPERS, and the logistical problems raised by attempting to "wall off" certain Board members and employees who possess material, nonpublic information, CalPERS hereby adopts the policy that material, nonpublic information possessed by any CalPERS Board member or employee -- acting in that capacity or within the scope of his or her employment or position with CalPERS -- will generally be treated as if the information were in fact possessed by CalPERS and all Restricted Persons. In view of this policy, it is essential that CalPERS employees not obtain information that may be material and nonpublic without the prior approval of, for investment personnel, the Senior Investment Officer in their direct chain of command or, for all other employees, the Assistant Executive Officer in their direct chain of command or the General Counsel.

CalPERS Board members and employees who possess material nonpublic information concerning a publicly traded company must safeguard the information and not intentionally or inadvertently communicate it to any person (including family members and friends) unless the person has a need to know

such information for legitimate reasons directly related to his or her duties as a CalPERS Board member or employee.

In addition, CalPERS Board members and employees who come into possession of material nonpublic information concerning a publicly traded company must immediately inform the Legal Office. The Legal Office will add the company to which the information relates to the Restricted Company List and disseminate the Restricted Company List to all Restricted Persons.

III. RESTRICTIONS ON TRADING IN RESTRICTED LIST COMPANIES

The Legal Office will maintain and update the Restricted Company List.

If a company is on the Restricted Company List, Restricted Persons may not buy or sell any security of the company during the time period the company is on the Restricted Company List. In addition, no Restricted Person shall trade the security on CalPERS' behalf unless an exception applies. In addition, no Restricted Person shall use any type of derivative (or any other instrument or device) to avoid the requirements or prohibitions contained in this policy.

A Restricted Person includes:

- A. Chief Executive Officer;
- B. Deputy Executive Officers;
- C. Assistant Executive Officers;
- D. Chief Actuary;
- E. All employees of the Investment Office;
- F. All employees of the Office of Enterprise Compliance;
- G. Division Chief of the Fiscal Services Division;
- H. All employees of the Investment/Fund/Retirement Program Accounting Section of the Fiscal Services Division, except the Retirement Program Accounting Units;
- I. All employees of the Office of Audit Services, except for any Program Evaluators - IS, Staff Program Evaluator - IS, Senior Program Evaluators, Specialists - IS, the Senior Program Evaluator (Public Agency Team) and all employees directly reporting to the Senior Program Evaluator (Public Agency Team);

- J. All employees of the Health Benefits Branch whose positions are designated in the CalPERS Conflict of Interest Code at 2 Cal. Code Regs. Section 560;
- K. All employees (and their direct supervisors) of the Information Technology Services Branch who perform work assignments within the Investment Office's physical and virtual secured area, and who have the potential to obtain access to non-public investment-related information;
- L. General Counsel, Deputy General Counsel, Assistant Chief Counsel – Investments, Staff Counsel and Senior Staff Counsel reporting to the Assistant Chief Counsel – Investments, Staff Counsel and Senior Staff Counsel who advise the Health Benefits Branch, and Staff Counsel and Senior Staff Counsel who advise on CalPERS procurement or services contracts;
- M. The Chief Information Security Officer; and,
- N. The secretaries and assistants to any persons covered by subsections A-M above.

IV. EXCEPTIONS TO THE RESTRICTIONS ON CALPERS TRADES IN RESTRICTED LIST COMPANIES

Exceptions will be made for the following CalPERS trades of securities of companies that appear on the Restricted Company List:

- A. The trade is authorized by the company on the Restricted Company List.
- B. Trades in funds where the fund strictly replicates the constituents and weights of the benchmark index.
- C. Trades in a Transition Account made at the direct behest of an External Manager where the External Manager represents and warrants in writing that the securities to be purchased by CalPERS have been selected at the External Manager's sole discretion and without receiving any company-specific information from CalPERS.
- D. Trades where it is demonstrated that, before becoming aware of the material nonpublic information, the person(s) responsible for the CalPERS trade had: (1) entered into a binding contract to purchase or sell the security; (2) received instructions from another person to purchase or sell the security for the instructing person's account, or (3) adopted a written plan for trading securities.

- E. The contract, instructions or written plan must have been complied with and must have:
 - 1. Specified the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold;
 - 2. Included a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; or
 - 3. Prohibited the person from exercising any subsequent influence over how, when, or whether to effect purchases or sales; provided, in addition, that any other person who did exercise such influence must not have been aware of the material nonpublic information when doing so.

All exceptions to the restrictions on CalPERS trades in a Restricted Company must be authorized by the Legal Office.

V. MATERIALITY

Generally speaking, information is material where there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy or sell the securities in question, or where the information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available. Where the nonpublic information relates to a possible or contingent event, materiality depends upon a balancing of both the probability that the event will occur and the anticipated magnitude of the event in light of the totality of the activities of the issuer involved.

Common, but by no means exclusive, examples of what may involve "material" information includes:

- A. Dividend changes
- B. Declarations of stock splits and stock dividends
- C. Financial forecasts, especially earnings estimates
- D. Changes in previously disclosed financial information
- E. Mergers, acquisitions, or tender offers
- F. Proposed issuances of new securities

- G. Stock repurchase programs
- H. Major litigation
- I. Significant changes in management or operations
- J. Significant increases or declines in backlog orders or the award of a significant contract
- K. Significant new products to be introduced and significant discoveries of oil and gas, minerals, or the like
- L. Extraordinary borrowings or liquidity problems
- M. Purchase or sale of substantial assets
- N. Governmental investigations, criminal actions, or indictments and any collateral consequences, including potential debarment from government contracts

If an employee has any doubt whether certain information is "material," the information should be considered to be and treated as material.

VI. POTENTIAL LIABILITY FOR INSIDER TRADING BY CalPERS PERSONNEL

As stated above, anti-fraud provisions of the federal securities laws generally prohibit the purchase or sale of securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. In addition, Section 21A(b) of the 1934 Act provides the SEC with the authority to bring a civil action against any "controlling person who knows of, or recklessly disregards, a likely insider trading violation by a person under his control and fails to take appropriate steps to prevent the violation from occurring". Persons who violate these prohibitions are subject to potential civil damages and criminal penalties. The civil damages can consist of disgorgement of any illicit profits and a fine of up to three times the profit gained or loss avoided. The criminal penalties can be as much as \$1 million and 10 years imprisonment per violation.

Because of the serious consequences of any insider trading violation, the CalPERS' Legal Office should be contacted immediately if there is any possibility of a violation of the policy or an insider trading violation.

VII. GLOSSARY OF TERMS

Key words used in this policy are defined in CalPERS' Master Glossary of Terms.

Approved by the Policy Subcommittee:	November 20, 1998
Adopted by the Investment Committee:	February 16, 1999
Revised by the Policy Subcommittee:	December 10, 2004
Approved by the Investment Committee:	February 14, 2005
Revised by the Policy Subcommittee:	December 15, 2008

Asset Class Glossary: Ethics
Policy: Insider Trading
December 15, 2008

1934 Act

The Securities Exchange Act of 1934.

External Manager

An outside money management firm retained under contract by CalPERS.

Restricted Company List

A list of companies for which trading, by CalPERS or by restricted persons, of public securities is limited by this Policy.

Restricted Person

A Restricted Person includes: Chief Executive Officer; Deputy Executive Officers; Assistant Executive Officers; Chief Actuary; All employees of the Investment Office; All employees of the Office of Enterprise Compliance; Division Chief of the Fiscal Services Division; All employees of the Investment/Fund/Retirement Program Accounting Section of the Fiscal Services Division, except the Retirement Program Accounting Units; All employees of the Office of Audit Services, except for any Program Evaluators - IS, Staff Program Evaluator - IS, Senior Program Evaluators, Specialists - IS, the Senior Program Evaluator (Public Agency Team) and all employees directly reporting to the Senior Program Evaluator (Public Agency Team); All employees of the Health Benefits Branch whose positions are designated in the CalPERS Conflict of Interest Code at 2 Cal. Code Regs. Section 560; All employees (and their direct supervisors) of the Information Technology Services Branch who perform work assignments within the Investment Office's physical and virtual secured area, and who have the potential to obtain access to non-public investment-related information; General Counsel, Deputy General Counsel, Assistant Chief Counsel –Investments, Staff Counsel and Senior Staff Counsel reporting to the Assistant Chief Counsel – Investments, Staff Counsel and Senior Staff Counsel who advise the Health Benefits Branch, and Staff Counsel and Senior Staff Counsel who advise on CalPERS procurement or services contracts; Chief Information Security Officer; and the secretaries and assistants to any persons covered by above.

SEC

The Securities and Exchange Commission.

Transition Account

An account set up and maintained by the CalPERS Investment Office that will be utilized to obtain securities that are requested by an External Manager.